

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02

L-03 NSC-05 PA-01 PRS-01 SS-15 /089 W

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R 111750Z SEP 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 1424

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: COSTA RICA'S LAND ACQUISITION FROM  
UNITED BRANDS

REF: SAN JOSE 3779

1. SUMMARY. REFTEL REPORTED THE COMPLETION OF NEGOTIATIONS IN WHICH THE GOVERNMENT AGREED TO JOIN WITH UNITED BRANDS AND PRIVATE COSTA RICAN INTERESTS IN A JOINT VENTURE TO PRODUCE OIL PALMS ON A LARGE PARCEL OF LAND THAT HAS BELONGED TO UNITED, AND UNITED BRANDS AGREED TO TURN OVER TO THE COSTA RICAN GOVERNMENT ALL OF ITS OTHER UNUSED LAND PARTLY AS A DONATION AND PARTLY IN RETURN FOR A CASH PAYMENT. THIS MESSAGE REPORTS THE DETAILS OF THE LAND DEAL AND ANALYZES ITS VERY GREAT SIGNIFICANCE FOR COSTA RICAN SOCIETY, AS WELL AS ITS IMPLICATIONS FOR FUTURE RELATIONS BETWEEN UNITED BRANDS

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AND COSTA RICA, AND AS AN EXAMPLE OF AN EFFECTIVE

COOPERATIVE APPROACH TO THE RESOLUTION OF PROBLEMS  
AFFECTING BANANA COMPANIES IN OTHER CENTRAL AMERICAN  
COUNTRIES. END SUMMARY.

2. THE UNITED BRANDS DIVESTITURE OF SURPLUS LAND WAS  
IN THREE PARTS: THE SIXAOLA JOINT VENTURE PACKAGE;  
A LAND SALE PACKAGE; AND A LAND DONATION PACKAGE.  
THE FOLLOWING INFORMATION ABOUT THE DEAL WHICH COMES  
FROM UNITED BRANDS' NEGOTIATOR RICHARD JOHNSON AND  
FROM THE ACTING COORDINATOR GENERAL OF THE MINISTRY  
OF THE PRESIDENCY, RODOLFO QUIROS GUARDIA, IS  
AUTHORITATIVE AND MORE ACCURATE THAN THAT IN REFTEL  
WHICH WAS BASED ON EXTEMPORANEOUS REMARKS BY  
PRESIDENT ODUBER.

3. THE SIXAOLA PACKAGE INVOLVED THE TURNOVER OF  
11,000 HECTARES (27,181 ACRES) IN THE SOUTH ATLANTIC  
ZONE, NEAR THE PANAMA BORDER, TO A NEW COMPANY OWNED  
50 PERCENT BY UNITED BRANDS, 25 PERCENT BY THE  
GOVERNMENT OF COSTA RICA, AND 25 PERCENT BY PRIVATE  
COSTA RICAN INTERESTS. THE NEW COMPANY, WHICH WILL  
PRODUCE AFRICAN OIL PALMS, IS CALLED PROYECTO AGRO  
INDUSTRIAL DE SIXAOLA (PAIS S.A.). THE GOVERNMENT  
SHARE WILL BE HELD BY THE DEVELOPMENT CORPORATION  
(CODESA). CREATION OF THIS JOINT VENTURE WAS THE MOST  
IMPORTANT ASPECT OF THE NEGOTIATIONS FOR THE COMPANY,  
BUT THIS ASPECT OF THE DEAL WAS GIVEN LITTLE PROMINENCE  
IN PRESIDENT ODUBER'S ANNOUNCEMENT WHICH NATURALLY  
EMPHASIZED THE LAND BEING ACQUIRED DIRECTLY BY THE  
STATE FOR ITS OWN PURPOSES.

4. THE LAND SALE PACKAGE INVOLVED 18,300 HECTARES  
(45,219 ACRES) MAINLY IN THE PACIFIC AREA ALONG THE  
PANAMA BORDER SOUTH OF UNITED'S PLANTATIONS IN THE  
GOLFITO AREA. THE LAND, WHICH WAS SOLD FOR 700 COLONES  
PER HECTARE (\$33 PER ACRE), IS MOSTLY EXCELLENT LAND,  
MUCH OF IT IN VIRGIN FOREST, BUT ABOUT ONE-THIRD OF  
IT HAS COMPLETE INFRASTRUCTURE INCLUDING DRAINAGE,  
CANALS, RAILROAD, BUILDINGS, SHOPS, CAMP SITES, WATER,  
ELECTRICITY AND ROADS. INCLUDED ARE TWO SECTIONS OF  
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VERY CHOICE LAND NOW PLANTED IN BANANAS (550 ACRES)  
AND PLANTAINS (600 ACRES) WHICH ARE PHYSICALLY SEPARATED

FROM THE REST OF THE LAND UNITED HAS UNDER  
CULTIVATION AND WHICH ARE SURROUNDED BY THE OTHER  
PARCELS OF LAND BEING SOLD TO THE GOVERNMENT IN THIS  
DEAL. THE THREE MAIN PACKAGES IN THIS SALE ARE  
IDENTIFIED AS LAUREL, SAN JUAN, AND FEDERAL BEEF.

THE FEDERAL BEEF PARCEL IS LAND THAT WAS SOLD ON CREDIT TO FEDERAL BEEF COMPANY FOR A CATTLE VENTURE. THE GOVERNMENT IS NOW TAKING OVER RESPONSIBILITY FOR FEDERAL BEEF'S UNPAID INDEBTEDNESS TO UNITED BRANDS FOR THIS PARCEL. THE LAND PURCHASED BY THE GOVERNMENT IS SUITABLE FOR GROWING A NUMBER OF CROPS, BUT OIL PALMS, RICE, AND CORN ARE CONSIDERED THE MOST SUITABLE BY UNITED. THERE ARE NOW ABOUT 500 FAMILIES LIVING IN THE AREA WHICH COULD EASILY SUPPORT 2,000 ACCORDING TO UNITED. THE GOVERNMENT LAND AND COLONIZATION INSTITUTE (ITCO) AND ITS BANANA DEVELOPMENT CORPORATION (ASBANA) WILL BE INVOLVED IN SETTLING AND DEVELOPING THE NEWLY-ACQUIRED LAND.

5. THE LAND DONATION PACKAGE INCLUDED 9,800 HECTARES (24,216) ACRES) OF LAND MAINLY IN THE ATLANTIC ZONE SOUTH OF LIMON, BUT INCLUDING A BIT IN THE GOLFITO AREA. MUCH OF THIS IS ALSO EXCELLENT LAND AND SOME IS FORMER PRIME BANANA LAND THAT THE COMPANY ABANDONED IN THE 1930'S WHEN THE PANAMA DISEASE STRUCK. THIS LAND HAS DRAINAGE, ROADS AND SOME BUILDINGS. THE REASON THAT THE GOVERNMENT DID NOT HAVE TO PAY FOR THIS LAND, ACCORDING TO A HIGH GOVERNMENT SOURCE, IS THAT IT IS OVER-RUN WITH SQUATTERS AND WAS THEREFORE OF NO PRACTICAL VALUE TO THE COMPANY. ACCORDING TO THE COMPANY, THE LAND DOES HAVE SOME SQUATTERS BUT MAINLY IT WAS NOT USEFUL TO THE COMPANY BECAUSE IT CONSISTS OF SMALL

SCATTERED PARCELS, INTERSPERSED WITH ITCO LAND, THAT WOULD HAVE BEEN HARD TO DEVELOP AS A PRODUCTION UNIT FOR LARGE SCALE PRODUCTION.  
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SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02

L-03 NSC-05 PA-01 PRS-01 SS-15 /089 W

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R 111750Z SEP 75

FM AMEMBASSY SAN JOSE  
TO SECSTATE WASHDC 1425  
INFO AMEMBASSY BOGOTA  
AMEMBASSY GUATEMALA  
AMEMBASSY MANAGUA  
AMEMBASSY PANAMA  
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6. THE SIGNIFICANCE OF THE LAND DEAL FOR THE GOVERNMENT APPEARS TO BE VERY GREAT, NOT ONLY BECAUSE OF THE INCREASE IN AGRICULTURAL PRODUCTION THAT WILL COME FROM BRINGING THIS LAND INTO PRODUCTION, BUT MORE IMPORTANTLY IN TERMS OF REDUCING TENSIONS CAUSED BY LAND HUNGER IN COSTA RICAN SOCIETY. CLEARLY THE GOVERNMENT WILL BE IN A POSITION TO GIVE SECURE TITLES TO SQUATTERS -- A PROCESS THAT PRESIDENT ODUBER INTENDS TO BEGIN THIS WEEKEND -- AND TO RESETTLE OTHER LANDLESS PERSONS, PERHAPS FROM OTHER PARTS OF THE COUNTRY, ON THE NEWLY-ACQUIRED LAND. JUST AS CLEARLY, ACCOMPLISHING THIS TASK EFFICIENTLY WILL REQUIRE A GREAT DEAL OF ORGANIZATIONAL EFFORT AND HARD WORK WHICH MAY NOT BE FORTHCOMING FROM THE DESIGNATED AGENCY, ITCO. HOWEVER SUCCESSFUL OR UNSUCCESSFUL ITCO'S EFFORTS MAY PROVE TO BE IN THE LONG RUN, THEY WILL REDUCE TENSIONS IN THE SHORT RUN. MOREOVER, THE GOVERNMENT COULD USE THE FACT OF THE AVAILABILITY OF THIS LAND TO TURN ASIDE GROWING PRESSURES FROM LAND REFORM LIMITED OFFICIAL USE

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ADVOCATES AND SQUATTERS WHO SEEK TO TAKE LAND FROM FOREIGNERS OR FROM LARGE LAND HOLDERS. WHETHER THE GOVERNMENT WILL DO SO OR NOT REMAINS TO BE SEEN, BUT IT IS CLEAR SUCH A PLOY WOULD OFFER ONEWAY OUT OF A DIFFICULT POSITION IN WHICH THE GOVERNMENT FINDS ITSELF CAUGHT BETWEEN STRONG PRESSURES FROM LEFTIST LAND REFORMERS AND EQUALLY STRONG PRESSURES FROM INFLUENTIAL LANDOWNERS.

7. THE GOVERNMENT IS GREATLY PLEASED BY THE OUTCOME OF

THE NEGOTIATION. ODUBER'S POPULIST CREDENTIALS WILL BE NOTABLY STRENGTHENED BY BEING IN A POSITION TO HAND OCAM LAND TITLES AND TO RESETTLE LANDLESS PEASANTS. HIS REPUTATION AS A NATIONALIST IS ALSO STRENGTHENED BY HIS HAVING APPARENTLY SQUEEZED SO MUCH LAND OUT OF A FOREIGN COMPANY FOR SO LITTLE MONEY. AT THE SAME TIME, THE FACT THAT ODUBER PROCEEDED BY NEGOTIATION AND OFFERED COMPENSATION THAT THE COMPANY ACCEPTED AS FAIR UNDER THE CIRCUMSTANCES STRENGTHENS HIS REPUTATION AS A REASONABLE AND MODERATE MAN AMONG THOSE WHO VALUE THOSE QUALITIES. HE APPEARS TO HAVE ACHIEVED MORE IN LESS TIME AND WITH LESS SOUND AND FURY THAN EITHER THE PANAMANIAN OR HONDURAN LEADERS IN PUTTING HIS RELATIONS WITH THE BANANA COMPANIES ON A NEW BASIS. FINALLY, HE HAS OUTMANEUVERED THE LEGISLATIVE ASSEMBLY BY STEALING CREDIT FOR TAKING OVER UNUSED BANANA LAND THAT WOULD OTHERWISE HAVE BEEN NATIONALIZED UNDER THE TERMS OF A LAW PASSED IN JUNE. NOW THAT HE HAS ACQUIRED ALL OF UNITED'S UNUSED LAND THE BILL BECOMES MOOT, AND HE ACQUIRED IT FOR LESS THAN THE COMPENSATION THAT WOULD HAVE BEEN PAYABLE UNDER THE LAW.

8. FROM THE POINT OF VIEW OF UNITED BRANDS, THE DEAL NEGOTIATED WITH THE GOVERNMENT REPRESENTS, AT WORST, A SATISFACTORY WAY OUT OF AN UNTENABLE SITUATION IN WHICH IT WAS POLITICALLY EMBARRASSED BY A SURPLUS OF LAND, FOR MUCH OF WHICH IT HAD NO IMMEDIATE USE, IN A COUNTRY WITH AN INCREASINGLY VOCAL LAND REFORM XBEXKENT.# THE COMPANY HOPES THAT THE DEAL IS MORE THAN A WAY OUT OF A STICKY SITUATION. THEY HOPE THAT IT CLEARS THE WAY FOR A NEW KIND OF FRIENDLY AND COOPERATIVE RELATIONSHIP WITH THE GOVERNMENT. ODUBER PUBLICLY DESCRIBED HIS RELATIONS WITH THE BANANA COMPANIES AS VERY GOOD FOLLOWING THE SUCCESSFUL NEGOTIATION AND SAID THAT IN THE FUTURE THEY WILL BE THE SAME AS COSTA RICA'S RELATIONS LIMITED OFFICIAL USE

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WITH OTHER COMPANIES.

9. AT THE SAME TIME, THE COMPANY RECOGNIZED THAT ONLY THE FIRST STEP HAS BEEN TAKEN TOWARD ESTABLISHING A NEW KIND OF RELATIONSHIP, AND THAT AT SOME TIME IN THE NOT TOO DISTANT FUTURE THEY WILL HAVE TO NEGOTIATE A NEW REGIME FOR THE LAND THEY HAVE UNDER BANANA AND OIL PALM CULTIVATION. THEY EXPECT THAT SOME TYPE OF JOINT VENTURE ARRANGEMENT WILL EMERGE. ODUBER SPOKE IN HIS SPEECH ON THE LAND DEAL OF POSSIBLE NEW ARRANGEMENTS IN THE FUTURE FOR BANANA PRODUCTION WHETHER THROUGH JOINT VENTURES OR THROUGH FURTHER PURCHASES BY THE GOVERNMENT.

10. THE ADVANTAGES THAT UNITED BRANDS SAW IN SELLING ITS LAND TO THE GOVERNMENT RATHER THAN AWAITING NATIONALIZATION WERE THAT A NEGOTIATED SOLUTION WOULD CREATE A BETTER CLIMATE

FOR ITS FUTURE OPERATIONS IN THE COUNTRY AND ALSO THAT A NEGOTIATED SALE WOULD PROVIDE QUICKER AND SURER PAYMENT. NATIONALIZATION OF IDLE LAND UNDER THE LAW ENACTED BY THE LEGISLATIVE ASSEMBLY WOULD HAVE PROVIDED FOR PAYMENT AT TAX DECLARED VALUE IN 20 YEAR BONDS. THE NEGOTIATED SALES TERMS AGREED TO BY THE COMPANY PROVIDE FOR PAYMENT FOR THE LAND AT 25 PERCENT LESS THAN TAX VALUE, BUT WITH PAYMENT TO BE COMPLETED IN CASH WITHIN TWO YEARS.

11. CLEARLY THE COMPANY DID NOT PULL OFF ANY COUP IN THE LAND DEAL, BUT IT APPEARS TO HAVE ACTED WISELY IN ITS OWN BEST LONG-TERM INTERESTS INREACHING A SETTLEMENT ON THE SUBSIDIARY ISSUE OF UNUSED LAND IN ORDER TO BEST SAFEGUARD ITS PRIMARY INTERESTS IN BANANA AND OIL PALM PRODUCTION. AT THE SAME TIME, IT ACHIEVED A FAVORABLE ARRANGEMENT FOR THE DEVELOPMENT OF A LARGE NEW OIL PALM PROJECT IN COOPERATION WITH COSTA RICAN INTERESTS.  
TODMAN

NOTE BY OCT: #TEXT AS RECEIVED.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LAND REFORMS, JOINT VENTURES, FOREIGN TRADE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 SEP 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
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**Previous Classification:** LIMITED OFFICIAL USE  
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**Reference:** 75 SAN JOSE 3779  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 SEP 2003 by izenbei0>; APPROVED <14 NOV 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COSTA RICA'S LAND ACQUISITION FROM UNITED BRANDS  
**TAGS:** ETRD, CS, UNITED BRANDS  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006